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IN THIS ISSUE:

Remarks—

Prepared for delivery by Assistant Secretary of Agriculture William G. Leshner, for The Farm Foundation, Oak Brook, Ill., June 9.

Testimony—

Testimony by Mary C. Jarratt, assistant secretary of Food and consumer services, U.S. Department of Agriculture, before the Joint Economic Committee, June 8.

Testimony by C. W. McMillan, assistant secretary, United States Department of Agriculture before the Committee on Labor and Human Resources, United States Senate, June 10.

News Releases—

USDA Proposes Revising Grade Standards for American Bunch Grapes

USDA Adds Rice to Dairy Products and Honey for Schools, Other Outlets

Vaccinate Now to Prevent Horse Sleeping Sickness

Riley Named USDA Director of Personnel

USDA and Chinese Veterinarians Agree on Terms for U.S. Animal Exports to China

CCC Loan Interest Rate Lowered to 8-3/4 Percent

Farmers to Receive 40.3 Million Hundredweight of Rice Under PIK

USDA Adopts Requirements for Producing Cooked Roast, Corned Beef

IN THIS ISSUE:—Continued on next page

IN THIS ISSUE: — Continued

News Releases —

USDA Releases Cost of Food At Home for April

American Airlines, Inc., Charged With Animal Transportation Violations

Public Law 480 Agreement Signed With Tunisia

Additional Virus Strains Considered for Marek's Disease Vaccine

Individualized Crop Insurance Expanded at USDA

Popcorn Added to Experimental Insurance Programs

USDA Schedules Outlook Conference for Oct. 31 - Nov. 3

USDA, Israel Commemorate 25 Years of Cooperative Agricultural Research

USDA Exercises PIK Option for 1983-Crop Wheat

USDA to CO-Sponsor Chicago Conference on Export Trading

Regional Grain Cooperatives Increase Volume 65 Percent in 5 Years

USDA Revises Grade Standards for Frozen Beans

USDA Revises Grade Standards for Tomatoes for Processing

Potential Cancer Inhibitor Found in Insect Growth Regulator

Backgrounders —

National Forest Wilderness

U.S. Agricultural Trade Issues With Japan

Remarks

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Prepared for delivery by Assistant Secretary for Marketing and Inspection Services C.W. McMillan before the American Meat Institute's Public Affairs Conference, Washington, D.C., May 23.

The Need To Look Beyond PIK: Hard Realities and Tough Choices

It is a pleasure to address this distinguished group, particularly at a watershed period for American agriculture. By your attendance, you have demonstrated a keen interest and, for many of you, a major stake in the agricultural policies that are developed for the 1980's and beyond.

Several of you have expressed an interest in current programs and policies, particularly the payment-in-kind program. Though I want to concentrate my remarks on agricultural policy beyond PIK, it is appropriate to say a few words about the events which led to PIK's implementation, what we hope to achieve with the program, and what the cost may be. Also, I will have a few comments on what PIK is and, more importantly, what it is not.

My main interest today, though, is in the basic policy choices we face in the longer-run, and in getting some meaningful analysis and dialogue going about these choices. What have we learned about past actions and events that led to the necessity for PIK, and can we use what we have learned to forge new policies that will be in the long-run interest of this nation and its agricultural economy? In other words, what direction is agriculture going to take beyond PIK?

Genesis of PIK

PIK grew out of a serious and steadily worsening farm surplus. A major worldwide recession had resulted in weak demand for farm commodities. After an uninterrupted expansion in exports throughout the seventies, in which price supports moved up accordingly, we ran head-on into two years of declining exports. In addition to depressed world economic conditions—a significantly stronger U.S. dollar, price supports above market clearing levels, the lingering effects of the Soviet grain embargo, unfair competition for world markets, and agricultural

policies of other exporting countries that refuse to reduce production and to stock more commodities in times of surpluses—all took their toll.

These events, coupled with two years of exceptional growing conditions, resulted in stock levels by late 1982 which exceeded carryover needs by 50 to 150 percent. In the aggregate, we were looking at projected carryout stocks on Oct. 1, 1983, of about 60 percent of the world's grain stocks, or over 150 million metric tons, which is more than we export in a whole year. A similar outlook was expected for cotton and rice.

Anticipating a buildup in stocks, a wheat acreage reduction program for 1983 was announced last summer. That announcement was followed by a feed grains program that was also intended to take land out of production. But events beyond the control of policymakers—exceptionally good weather, more bearish export forecasts, delayed recovery, lack of effectiveness of traditional methods to reduce production—soon made it evident in the fall of 1983 that the programs as announced would not result in a reduction of stocks. Indeed, stock levels would increase further unless we made additional program changes. And most know that as long as large stocks hang over the market, no matter who owns those stocks or what position they are in, farmers will not experience significant price increases.

A variety of alternatives to supplement the already announced programs were then analyzed. Nearly all those which seemed to address the stocks imbalance problem had at least one common flaw: their cost. Large budget outlays would be required to attract the necessary participation. This generated much concern since farm program costs already were escalating to unprecedented levels—\$4 billion in FY 1981, \$12 billion in FY 1982, and over \$21 billion projected for FY 1983.

Thus, no one—including the Congress—was in any mood to consider significant increases in outlays that would further aggravate a record federal budget deficit. There was great pressure in Congress, however, to pass some type of "farm crisis" legislation that would have increased price support levels and had the definite ring of mandatory controls so no added costs would be incurred.

Essentially, we were backed into a corner. Farm program costs were approaching net farm income projections, so clearly other policy approaches had to be tried. A dramatic reduction in production, and thus stocks, was needed—but how could we do this without increasing the deficit or adopting policies that would simply be bad policy and adversely change the future direction of agricultural policy?

Some wanted mandatory controls, others wanted very large cash paid diversions. Both could reduce production but they also have serious drawbacks. Each has the disadvantage of shorting the market—sending a signal around the world to our competitors that the U.S. is willing to be the shock absorber for world agriculture by making the necessary adjustments in stocks and production levels—which invites our competitors to produce more at our expense under our price umbrella.

In addition, mandatory controls are unattractive to me for several reasons, and I believe they would be unattractive to most farmers; and they probably would not be accepted as a viable policy option. The cash paid diversion program would have cost billions of dollars and been limited in effectiveness since the payment limitations would have applied and cut off the largest farmers—those with the most acreage and production—from participating.

There was one alternative that showed promise as a means for reducing stocks while avoiding significant additional budget outlays. That program, of course, was PIK. Stocks owned by the CCC, in addition to commodities under loan or in the grain reserve, would be used to pay farmers to curtail their production. The government's assets would be reduced by paying for the diversion with those commodities, but with that also came a reduction of future liabilities for carrying the stocks.

Given all of these considerations, along with the potential for bolstering the agricultural economy while saving billions of dollars in future deficiency and storage payments and loan outlays, the choice was obvious.

The "Cost" of PIK

Since the announcement of the program, the response in the farm sector has been overwhelming. The large participation in PIK will do

much to alleviate the surplus stocks situation for most commodities that has been overhanging the market these past few years. This will occur while enabling us to assure adequate supplies for domestic and world consumers.

PIK is not without its costs. Once again, the United States has been forced to absorb the adjustment shock for the entire world. It is our farmers who must cut back production, our taxpayers who must bear the additional fiscal burden, and our input supply industry that must suffer from cutbacks in usage. In future years, we must implement policies that will alleviate these shocks on our agricultural complex. Fortunately, we feel we have designed the PIK program so as to minimize the opportunity for our competitors to expand their market share as a result of our actions. But they will reap the benefits of an improved supply-use balance while bearing none of the adjustment cost. These facts must bear heavily on our longer-term strategies for agricultural policies and programs.

Recently, there has been much more discussion—or speculation and confusion—concerning the cost of PIK program than I have heard concerning longer-term strategies for agricultural policy. While the ultimate cost of the PIK program will never be known, a balanced assessment is needed to help move the debate along to more fruitful and important issues. In short, using the published current services budget and the president's 1984 budget (adjusted for consistency), the PIK program is estimated to reduce outlays, and thus the potential budget deficit, by \$9 billion through FY 1986.

Without PIK the government would have taken ownership of more commodities for which loans had already been made to farmers. Market prices were not expected to be strong enough to prevent this from happening. Moreover, the chances of market prices rising high enough to allow us to legally sell the commodities back on the market, or the farmer owned reserve being triggered, were slim to none—barring some unforeseen surge in world demand or poor weather. Thus, all the carrying costs, such as storage and interest, would have been borne by the government for a very long period. For example, the carrying cost per bushel of corn for just three years approaches \$1.50 per bushel—about one-half of the market value. Over \$3 billion in carrying costs through FY 1986 is estimated to be saved by the PIK program.

More importantly, PIK has brought a turnaround in farm prices and the farm economy. Since the implementation of PIK, farm prices for corn have increased nearly 20 percent with wheat prices rising nearly 5 percent. Over the FY 83-86 period, income support—deficiency—payments are expected to be reduced by over \$3 billion as a result of higher market prices from PIK. Moreover, about \$2 billion more is expected to be saved by lower diversion payments. Smaller categories of other savings are also included. The PIK program, after adding PIK acquisition costs, is expected to reduce total government outlays for commodity programs by over \$9 billion for FY 1983 through FY 1986.

But, as some say, there is no free lunch—so where is the catch? Well, the catch is that the government has given up assets—commodities—that had a book value of about \$12 billion which someday could have been sold back on the market to reduce Treasury borrowing. No one knows when this could have occurred legally or otherwise—farmers don't appreciate the government selling commodities back on the market and depressing their prices—without a substantial reduction in production. Even if they were sold, such massive sales would depress market prices and ultimately increase the cost of future farm programs.

The benefits of PIK, however, go well beyond the budgetary considerations. Higher farm incomes mean less external financing from agencies such as the Farmers Home Administration, and the return of rural America and the family farm to a more solid economic base. At the same time, taking land out of intensive crop production means a larger percentage of the land is in conserving use, which helps protect one of our nation's most valuable resources. Moreover, PIK means that more farmers, who assure this country of an abundant supply of food and fiber, are going to stay in business at least a year or two longer.

One could go on with other indirect benefits and costs of the PIK program. With improved farm incomes more is spent in rural areas and more taxes are paid. On the other hand, input suppliers will sell less seed and fertilizer this year because of PIK—but the stock market must have felt that PIK was good for the input industry in the long-run since the value of the stocks of many input supply firms went up after PIK.

PIK—A Temporary Program

So much for why the PIK program was implemented and an estimate of how much it will cost. A few words are now in order about what it is not.

The PIK program is only intended to be a temporary measure to reduce excessive crop supplies. It is not and should not be construed as the final solution of the problems facing U.S. agriculture. The central question is: "Have we learned enough from recent experiences to adopt policies that will not lead us back into the same situation that we had before PIK?"

PIK was necessary, in large part, because of the magnitude of the stock imbalance and the large expense of dealing with such a situation with our more traditional policy tools. PIK will go a long way toward alleviating our current surplus stocks, but even after stock levels are reduced, we may still face the constant prospect of production once again significantly exceeding demand. Available evidence suggests that the capacity of American agriculture is more than adequate to meet the growth in demand that can be expected to accompany the economic recovery in the United States and the rest of the world over the next several years. No one knows for sure—but I believe this is the predominate view of experts inside and outside of government.

It is estimated that harvested acreage of the eight principal crops—seven program crops plus soybeans—will have to range in the neighborhood of 210 to 220 million acres for crop years 1983 and 1984 to reduce stocks to desirable levels. This is 50 to 60 million acres below the 270 million acres harvested in 1981 and 1982. Even if current stocks were already at the desired levels, projected consumption indicates that only 240 to 250 million acres of the eight principal crops would be needed to balance supply with demand for 1983 and 1984.

PIK is a program that deals with a symptom. It is designed to give the farmer the opportunity to stay in business as excessive supplies are reduced. At the same time, policymakers now have a very short-lived opportunity to reexamine the direction in which farm programs and policies have taken agriculture and determine what changes are necessary to keep the sector on course toward renewed prosperity. In a very real sense, the legacy of programs, policies and perceptions that were more appropriate for a past era are key factors that led to the need

for a PIK program. What have we learned about past policies and actions that can apply to future programs?

The Decade of the 1970's and Its Influence on Farm Policy

Generally, farm policy during the 1970's was geared toward expansion. During this inflationary period, U.S. farm exports tripled in response to heightened world demand. Farm production assets more than tripled in this time of heavy investment. As a result, principal crop acreage harvested in the U. S. increased by about 55 million acres and livestock production made a substantial gain. In other words, our farmers responded to the signals that were sent to them by the market. But we were not alone. Other exporting, as well as importing, nations also expanded their production capacity during this period.

This period began with the Agricultural Act of 1970 that introduced the set-aside concept and suspended the restrictive marketing quotas and base acreages for wheat, feed grains and upland cotton. Then, the Agriculture and Consumer Protection Act of 1973 formalized target prices, but with the notion that income supports should not be allowed to disrupt the market. Later, the Food and Agriculture Act of 1977 provided for the implementation of the farmer-owned grain reserve to protect farmers during periods of downside price swings while ensuring adequate stocks to meet world and domestic needs.

The real worry by the end of the decade was a shortage of food—some have called it the "scarcity syndrome." The attitude was that we had to gear up to produce more food for the world and would run into natural resource constraints in doing so. This prevailing attitude was shared by many, and this was only two and one-half years ago.

During deliberations on the Agriculture and Food Act of 1981, the events of the 1970's were fresh in all our minds. In hindsight, too much so. One of the major shortcomings of farm policy has been our tendency to allow the current situation or recent events to dictate policies for the longer term. As we reexamine agricultural programs and policies, we must not allow current conditions to overshadow the realities of the future.

There are no better examples of that than the 1981 experience. We had just come through a period of major expansion in the export earnings of the U.S. agricultural sector. It was widely believed that the

United States was the only country that could produce enough food to satisfy the world's needs. Events of the 1970's were taken as precursors of things to come. Because of inflation, high and rising world oil prices, and a weak dollar, forecasts of continued strong export demand, rising production costs, and full production seemed reasonable expectations.

We all knew that there would be times when we would move off trend, due in large part to the international influence on the farm economy. International and domestic economies have become increasingly interdependent, and we have little control over some major variables such as exchange rates, growth rates and the like. While greater volatility was a reasonable expectation in an expanding world agricultural system, we were not prepared for the events that began unfolding in 1981 and have continued through the present. Simply put, we failed to give farm programs the flexibility to adjust to a changing environment.

When Congress adopted the 1981 act, yearly increases of 4 to 5 percent in target prices for program commodities seemed reasonable, and so did increased minimum loan rates that were to apply for four crop years. For wheat and corn, loan rates were increased by 11 percent and 6 percent respectively from the levels prevailing for the 1981 crop programs. Even then, there was grave concern over entitlement programs, such as farm price supports, and indexing our way into a position of becoming less competitive in world markets. However, inflation was running nearly 3 times the rate of increase in target prices and even the most optimistic forecasts had production costs continuing to rise as rapidly as target prices. The inflationary environment also suggested that average variable production costs for program crops would continue to increase, and it was felt such increases in target prices were needed for the coming four years.

What Happened?

Our price support levels have now become higher than market-clearing levels. Our fear of indexing our way out of world markets has become a reality to a certain extent for some commodities. International effects and the inflexibility in farm policy have led to an

incentive to produce more, a position of being less competitive in world markets and, consequently, a buildup of stocks.

In a truly market-oriented agriculture, the loan rate cannot be allowed to interfere with the market or be the market price. With per unit production costs stabilizing or declining in some cases, inflation rates reduced, and the dollar strengthening internationally, the rigid programs we thought so appropriate only a few years ago are now threatening the economic viability of U.S. agriculture in the international marketplace and causing large budgetary outlays.

Some producers may still find current loan rates and target prices too low to continue production, but the reverse is true for the more efficient producers. Knowing they are assured of adequate returns, efficient producers inside and outside the commodity programs will expand production to the extent possible. This certainly includes some of the 12 percent of producers that account for over two-thirds of the nation's farm sales. It is especially true for large, efficient producers outside the program who will maximize production believing that the government will try to boost commodity prices by whatever it takes—higher loan rates, target prices and even PIK programs. An example of this is expanded wheat and corn production last year in spite of acreage reduction programs.

Present loan rates are now attractive enough to induce increases in production each year, domestically. This is especially true now since the costs of inputs used in farming, as a whole, are projected to be up only slightly in 1983 and, in fact, the cost of some inputs may even show a decline. Fertilizer costs this year are expected to decline 2 percent and fuel costs 4 percent, while the costs of farm chemicals should rise less than 3 percent. With a decline in the rate of increase in farm machinery costs and lower interest rates, the costs of producing some major crops are expected to be steady or only slightly higher than in 1982.

Moreover, the world price floors, heavily influenced by the U.S. loan rate, have increased sharply in terms of other currencies. For example, our loan rate for wheat has increased about 20 percent since 1980, but the increase was nearly 30 percent when expressed in terms of Canadian currency. Thus, a major incentive also was created internationally for many to produce more for the marketplace when less

was needed. This led to excessive stock levels and the need for a PIK program. And while we are cutting back, others are producing more.

Apparently farmers in other countries believe that they too can cover their average variable costs, and are prepared to also produce more. In short, our price support levels are higher than many farmer's average variable costs, and thus the incentive to produce more is there. Where do we go from here?

Alternatives For The Future

We can and we must learn from the past. Our agricultural sector is too important and too efficient to let this happen. It seems to me that our choices fall broadly into three different approaches to solving our agricultural problems.

We could continue with our current programs which have led to enormous government outlays in recent times. In the decade of the 1970's, the cost of farm programs generally ranged between \$3 and \$4 billion. But federal outlays for fiscal 1983 alone are expected to be about \$21 billion. This followed outlays of \$12 billion in FY 1982, triple the \$4 billion outlays in FY 1981.

The government cannot afford to continue to absorb these tremendous expenditures in the face of large deficits. At the present time, government outlays are nearly equal to net farm income. We cannot continue to operate a farm program with an incentive to overproduce, both here and abroad, while the government shoulders the entire burden of the overproduction. For this reason, the inflexibility in the current farm program makes it, it would seem, an unacceptable alternative for the future.

Some have suggested that by "tightening up" on the administration of current acreage reduction programs we could get the job done and reduce costs. Others contend we should have looked into our crystal ball and offered an additional 5 percent paid diversion program earlier for most commodities—say for the 1981 and 1982 crops—and our problems would have been solved. We shouldn't kid ourselves—both of these contentions are unfounded in the sense that we could have avoided the large build-up of stocks we recently have experienced.

First of all, we know that producers take their less productive land out of production first in any modest-sized acreage reduction

program—its just practical to do that. It takes a massive acreage reduction program, such as the PIK program, to get the more productive land out of production. Acreage reduction programs of around 15-20 percent have not been very effective in limiting production. As a matter of fact, both corn and wheat production increased last year despite acreage reduction programs of 15 percent. While we need to improve the administration of our farm programs, some suggested changes may not help that much, if at all.

Cross compliance has been mentioned as a method of shoring up the current acreage reduction programs. While there may be limited value for certain commodities or regions of the country with such a policy, there are also costs.

Cross compliance would be particularly detrimental to participation in commodity specific programs. For example, a producer with a large wheat base and a small corn base may only want to participate in the feed grains program. However, under cross compliance he may very well not participate at all rather than being forced to participate in both commodity programs.

Moreover, if cross compliance was administered as it has been in the past, it would be structured to control the total acreage in production, not individual crop acreages, by establishing a normal crop acreage for each producer. Thus, there is no assurance that less wheat, corn, or another commodity will be produced on farms that are participating in the programs.

Now, let's look at what a 5 percent paid diversion, in addition to the acreage reduction provisions offered, may have done to solve our problems. We have estimated that an additional 5 percent paid diversion in 1981 and 1982 for wheat would have taken, maybe, 100 million bushels out of production for both years combined. At best, this would have reduced ending stocks in 1982 by 6 percent. Examples for feed grains, rice and cotton tell a similar story. Would this really have solved our problems? I think the answer is obvious.

The second approach as an alternative to future farm policy concerns a greater commitment to a market-oriented agriculture for us and the world. Under this approach, we would continue to be a major exporter of agricultural products. To do this we have to establish policies that assure the farmer "feels the market." In other words, allow farmers to

receive accurate and timely market signals and be free to react accordingly.

This does not preclude farm programs that bear some of the producers' risks, but it does mean that programs must be flexible in order to adjust to market conditions so unwarranted levels of stocks do not build.

The third alternative is to insulate American agriculture from the market by maintaining artificial price levels, similar to the current dairy situation. Ultimately, this would mean abandoning world markets or establishing a policy not unlike the Common Agricultural Policy of the European Community. It would mean a permanent and major government role in agricultural markets with even larger budgetary expenditures if we did not have mandatory production and marketing controls.

No approach is costless. Those who would bear the costs differ somewhat according to the policy. However, in no case do farmers escape a major share of the adjustment burden. Let us consider more thoroughly the consequences of the two approaches I have outlined that differ from current programs.

The Minimum Price Approach

The minimum price policy would generally set a floor under agricultural prices well above prevailing world prices and in excess of the cost of producing most of our output or what others are willing to produce it for. There are several variations on this theme. Let us begin with the one I suspect would appear most popular, for at least a short time—high price supports with limited or no supply controls.

In its purest form, this proposal would legislate that farm products be sold for not less than some legally mandated price. With such an approach, we initially would expect farmers to respond to the higher price incentives by expanding production. However, the marketplace could not be expected to support both higher prices and expanded production in domestic markets—let alone world markets. The higher minimum price would also signal producers in the rest of the world that the U. S. was no longer willing to compete in world markets at price levels consistent with our farmers' comparative advantage in productivity and efficiency. As a result, other countries could be

expected to increase production with the full knowledge that they would be protected by our price umbrella while they captured larger shares of world trade as they are partially doing right now.

These market reactions would soon lead to a larger expansion of stocks and increased federal budget outlays as the government would be forced to purchase the surpluses. This is very similar to our current situation; only the magnitude would be worse.

Although farm income would rise in the short run, the higher prices and incomes would be bid into higher land prices, more inputs would be used, higher production costs would result, and ultimately we would have a less efficient agricultural sector, perhaps not unlike that in parts of the European Community. Uncontrolled supply would not be viable over a long period of time as taxpayer support and sympathy for the need for farm programs would undoubtedly wane and pressures would mount to reduce stocks.

Proposals to legislate mandatory production controls, such as marketing quotas, would crop up as a means of reducing the surplus and the attendant budget costs to maintain the high support prices. But such a program would be difficult to administer and police, and it would result in the continued sheltering of inefficient producers while further reducing the overall competitiveness of American agriculture. Also, there would be less acreage in production, and jobs relating to agriculture would be lost.

In addition, even if mandatory controls were adopted and we diminished our agricultural economy to produce only for a domestic market, would our problems be over? I do not think so. Take dairy as an example. We essentially have only a dairy price support program geared towards domestic consumption—we neither import or export many dairy products. But even so, the pressures were great to raise price supports to levels that led to the current situation. Why would other commodities be different?

As a result of lost markets to our competitors and less economic activity associated with agriculture, pressure would then mount for subsidizing exports. To accomplish this, some have suggested segmenting the U.S. and world markets. Marketing boards or dual pricing systems are often touted as the means for accomplishing price and income objectives. Under some of these plans domestic prices

would be set higher than world prices, and either direct government subsidy or revenues earned through domestic sales would be used to buy down the price of commodities entering foreign markets. One only has to study the European Community system to understand how cumbersome and extremely costly such a scheme would be.

The EC experience serves as an example of such a policy, a policy that rewards the inefficient and penalizes the efficient, locks in production patterns and technology, and assures that the agricultural system does not adjust to change. We have numerous examples of industries in the United States that have done just that by being insulated from the realities of world markets through import protection or other means. In the longer context, it has not been a favor to those industries, and agriculture would be no different.

Also, again the current dairy situation should serve to remind us of the grave danger in the mandatory escalation of price supports. Is the dairy situation of overproduction, enormous federal outlays and inability to adjust too much different from the direction we are heading in other commodity programs? One only has to witness the current dairy assessment program, which no one likes or wants, in order to see just how difficult and painful adjustment can be. The PIK program, because of its extremely large scope, has bought us some time to make adjustments—we need to take advantage of it.

The More Market-Oriented Approach

Now let us turn to the market-oriented option. Since the mid-1960's we have been inching along in the direction of a more market-oriented agriculture. We have abandoned quotas and allotments for most crops. We have increasingly recognized the need for program features that minimize market interference. I believe we have a much stronger agriculture today as a result.

What would a return to a more market-oriented agriculture mean? Some might interpret it to mean government would totally abandon agriculture. I do not believe that would be appropriate. We all recognize the inherent volatility faced in agriculture that is beyond anyone's control, particularly due to weather and world economic situations. And, we have long recognized an appropriate role for a responsible public to share part of that risk with the farmer. But that role cannot

extend to providing absolute price protection without regard to the market. This is what we have now for dairy, and we are fast approaching it for grains and cotton, and it doesn't work.

Also, the policy instruments used for risk sharing cannot be rigid or calibrated by law at absolute levels. It is simply not possible to fully anticipate inflation or changes in costs, exchange rates, and world economic conditions with sufficient precision.

If we have learned anything over the past two years, it is that basing long-term policy on a particular economic scenario is extremely risky. Instead, our tools must be flexible and they must reflect market conditions. I think our experience with loan rates for soybeans, based on a moving average as provided for in the 1981 farm bill, should be studied carefully. Such a mechanism, if set at an appropriate percentage of past market prices, could serve to reduce farmers' risk while not seriously interfering with the signals that the market must send.

Soybean exports have risen, even in the face of a stronger dollar, while exports for other commodities have stabilized or dropped. While there may be many reasons for this, price support levels are at least a part of it.

I also believe the public will continue to support a role for the government in assuring that some appropriate level of income protection is provided for our farmers. But, we must reexamine the tools of providing income protection and the level of protection. Whether target prices and deficiency payments are the appropriate tools in a market-oriented agriculture is a valid question that should be addressed.

While it is often assumed target prices have no impact on markets, there is a growing concern that they remove risks and therefore affect domestic as well as foreign producers' supply decisions—at least indirectly.

For instance, I suspect that the Canadians, Argentines and others have expanded grain production after knowing we have provided a target price significantly above market-clearing levels. These countries know the budget exposure is great and that we will attempt to move farm prices up towards these targeted levels as we face severe budgetary constraints. And we have confirmed their beliefs as we implemented PIK.

Given this, perhaps we should explore some other ways of providing some level of income protection. It seems that a program of income protection should not encourage others to produce more. It is self-defeating and costly. That is why the administration has proposed to freeze target prices at the 1983 level for the 1984 and 1985 crops, and I believe it is imperative that the Congress pass legislation to that effect.

Concerning acreage reduction programs, I think enough concerns have been raised recently about their effectiveness to question when or if they are appropriate public policy. Why do I raise this issue? Well, first of all, it seems clear that the types of acreage reduction programs we have implemented—excluding PIK—over the last several years are not that effective in reducing production. The main reason, as discussed earlier, is that a 10 to 20 percent combination average reduction and paid diversion program only takes out the poorest land and a significant reduction in production is not experienced. Farmers usually set out their sandy and wet areas, and put a little more fertilizer on the remaining land in production. Such programs can only be effective when the supply and demand situation is just marginally out of balance.

When conditions are so out of balance—which can happen quickly with rigid price supports and other factors beyond anyone's control—and massive amounts of acreage have to be taken out of production to restore equilibrium, good policy options are few and far between.

An extension of these typical programs has at least two serious drawbacks. One is that when large acreages need to be taken out of production, the payment limitation reduces their effectiveness. The fact is that when much land needs to be taken out of production, farmers with large acreages have to participate for the program to be successful. But, beyond a certain point the large farmers do not have the incentive to participate because of the payment limitation.

Another serious drawback with such programs is that they short the market. While prices do rise, we are left with large stocks tied up in the reserves or CCC ownership while our competitors fill in the void.

While the PIK program avoids, to a large degree, the aforementioned problems, any large acreage reduction program—including PIK—has the disadvantage of strengthening prices for our competitors benefit as well as our own. Should the U.S. continue to demonstrate its willingness to stockpile commodities and implement

massive acreage reduction programs during times of surplus when no other country undertakes similar action? What kind of a signal does it send around the world when we do these things on our own and let others reap the benefits?

Should we even have acreage reduction programs as a part of a long-term agricultural policy? And if so, under what conditions?

The concept of a reserve, owned by farmers, is one that some argue makes sense. But what objectives we seek to achieve, and how we operate the reserve, are very important questions. If we are to be major partners in world markets, we must be able to assure a reliable supply to all of our customers, both domestic and foreign. The reserve is a logical vehicle to provide that assurance.

A legitimate problem to be addressed through public policy is extreme price instability—price movements too fast and too large to permit farmers or buyers to respond efficiently. In an unstable world, we need to have a mechanism like the reserve that moderates the extreme peaks and valleys to dampen uncertainty.

Over the long run, we all benefit from that. While farmers never like to see the peaks moderated, they also realize that the false signals generated by unsustainable prices often lead to uneconomic investment and production responses that exacerbate the downturn in prices, as well as generate cash-flow squeezes.

We also need to examine carefully how much price protection we can afford, how much we desire and for whom. The answers to these questions will help us determine how large our reserve must be as well as when and how it will be released. In the past, the reserve has often been used as a mechanism to enhance prices rather than to assure our buyers we will be reliable suppliers.

I think we should examine the extent to which we should use the reserve to protect our farmers from downside price swings and when we should turn to other policy tools. If we rely too much on a reserve to support prices, farmers are motivated to produce for the reserve, and it can then become too large, as it has recently. When that happens, the reserve becomes less useful as a price enhancement tool, and large programs must be employed to reduce burdensome stocks.

In looking across our farm programs, I cannot help but ask how much price protection is too much? We are not in a position to charge

farmers in Canada, the EC, Australia, and Argentina for the benefits of U.S.-generated price protection. Nor can we keep these and other countries from expanding production and their share of the world market under any risk-reducing umbrella that we create. The effect of this on our own farmers' ability to compete must be taken into account when we address the question of how much financial protection is enough.

What will a more market-oriented agriculture get for us, and what will it cost? It will, I think, assure that American agriculture remains strong because the strongest, most efficient producers will survive and prosper. Certainly some will fail, but some will also enter. In any healthy, progressive economic sector there is always a continuous sorting out process which favors efficient and competitive firms—and these are not always the largest ones. Those who cannot adapt to emerging technologies and reduced costs will not remain viable over time, unless we assure it artificially through government programs that insulate farmers from the realities of markets.

Our position in world markets will be strengthened, and our ability and willingness to compete can only bring more sanity to international markets.

The more market-oriented our agriculture, the more expensive it becomes for our competitors, particularly the EC, to insulate their farmers from the marketplace. Market insulation policies on the part of the United States would only prolong the adversarial relationship that is brewing and could lead to trade wars and widespread use of subsidies. A clear signal that the United States is moving down the road to freer markets will hasten the return to more rational trade policies the world over.

I believe that a market-oriented agricultural policy will continue to ensure that we have the most efficient agriculture in the world. U.S. farmers now produce nearly three and one-half times more food and fiber than in 1960 per hour worked, and the rate of increase in productivity continues to outpace that of the nonfarm sector. This is principally why Americans spend a smaller portion of their income on food than people in any other country.

There exists on the horizon an even greater potential for increasing productivity. Current research with growth hormones indicates a

tremendous potential for increasing milk and meat animal production. Research in genetic engineering and cloning in the crops area has also revealed the possibility of much higher yields. A more market-oriented farm policy would allow us to assimilate such new technologies without major changes in farm policy.

One thing is for certain—it takes a long time to get the necessary legislative changes to respond to current conditions. PIK authorization, dairy reform and target price freeze legislation are examples.

Agriculture showed a favorable trade balance of nearly \$24 billion in fiscal 1982, which helps compensate for our deficits in industrial trade. Our strong favorable balance in agricultural trade benefits every American who uses petroleum or imports consumer goods. Also, every \$1 billion in agricultural trade creates an additional \$1 billion in U.S. economic activity; that means jobs—nearly 35,000 jobs for each additional \$1 billion in exports.

Agriculture is our largest industry, accounting for about 20 percent of the entire Gross National Product. Our food and fiber system also employs about 20 percent of the nation's workforce, more than any other industry. This is why we must be careful not to stifle the viability of our leading industry with a farm policy containing too many government controls.

Instead, we must pursue a market-oriented farm policy in the future with a minimum of government intervention. This will allow agriculture to grow and let our farmers respond to market signals. Also, we must be careful not to set farm policy that precludes the advances in technology and, consequently, gains in productivity.

I urge each of you to think about the issues I have discussed today, and help in forging better agricultural policies that will serve all of us better in the long run. I know that it will not be easy to do—but we must. The stakes are too great if we do not—to preserve the most efficient agriculture in the world is the challenge.

And my concern is that we will have to make decisions concerning these issues within the next year or two, and we will not have thought through the consequences of each alternative before we chart the direction agriculture will take for years to come.

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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Testimony by Mary C. Jarratt, assistant secretary of Food and consumer services, U.S. Department of Agriculture, before the Joint Economic Committee, June 8.

Mr. Chairman, and members of the Committee, thank you for this opportunity to be part of this series of hearings entitled, "Toward the Next Generation of Farm Policy." My remarks will address the U.S. Department of Agriculture's responsibility as it pertains to consumers by providing them with an adequate, affordable and safe supply of food and sufficient information to help them choose their food wisely.

To appraise the adequacy of the food supply, USDA economists estimate the quantities of foods available for consumption in our country and the nutrient content of these foods. Such estimates have been made for each year since 1909 and are available in USDA publications. They provide the basis for assessing current levels and food sources of nutrients and for making comparisons with past years.

These food supply data show that we have an abundant, varied and nutritious food supply. Levels of energy and most nutrients per person are well above the quantities that most people need to eat to avoid deficiency diseases and ensure good nutritional health. In terms of calories and protein—dietary components in short supply in many developing countries—our food supply has been abundant throughout the century. Levels of most vitamins and minerals are higher today than at the beginning of the century, partly due to advances in agricultural production and food technology.

These statistics reinforce the evidence of our supermarket shelves—that our country's food supply provides consumers with the opportunity to select diets of high nutritional quality at a most reasonable price.

Between calendar years 1979 and 1982, the Consumer Price Index for all items minus food increased 35 percent from 213.0 to 288.4 (1967 = 100). The CPI for all food increased 22 percent from 234.5 to 285.7. At the same time, the CPI for food-at-home (grocery bills) increased 20 percent from 232.9 to 279.2.

The slower inflation rate for food compared to nonfood items is in part the result of an abundant food supply relative to total domestic and international demand. However, this was not the case during the 1970-1980 decade, when food price inflation exceeded nonfood price inflation by more than 10 percentage points. The 1974-75 worldwide food shortfalls caused much of the food price increase during that decade.

The rise in food prices slowed dramatically last year, helping to ease pressure on family budgets and making a big contribution to the fight against inflation. The rate of increases in food prices continued to slow this year.

Food prices are expected to rise 2 to 4 percent in 1983, which would be the smallest rise in 15 years. The price of food in 1982 averaged 4 percent higher than in 1981. That was half the 1981 rise of 7.9 percent. As often happens, food prices in 1982 rose more slowly at food stores than at restaurants: 3.4 percent versus 5.3 percent. In both cases, however, prices increased much more slowly than the year before.

There were a number of reasons for this. Excellent weather produced bumper harvests on American farms and production of most livestock foods increased, making food supplies abundant. At the same time, the recession cut into buying power, and thus, consumer demand for food. Meanwhile, the cost of doing business for firms in the food industry rose more slowly than in recent years. And finally, prices of imported foods and fish increased very little.

This meant good news for food shoppers. For example, prices of many foods at the grocery store were only slightly higher than the year before, and some were much lower. Since last August, the combination of abundant food supplies and weak demand have caused grocery store prices to drop from one month to the next.

When economists examined the causes of last year's 3.4 percent rise in grocery store food prices, they found that the slight increase in the farm value accounted for only one tenth of the rise. Higher prices for imported foods and fish caused another one tenth of the rise in food store prices. The remaining eight tenths came from a higher farm-to-retail price spread. The farm-to-retail price spread, or difference between the farm value of food and its retail price, is the charge for processing, shipping and retailing farm-produced foods.

Although the spread rose by 5.1 percent last year, the rise was far slower than in 1981 and the smallest increase in 5 years. Smaller increases in labor, packaging and energy costs were mainly responsible.

Weaker consumer demand posed problems for the food industry as well as for farmers. This industry—which encompasses such diverse firms as food processing, shipping, food stores and restaurants—is a major sector of the U.S. economy, and one of the largest in terms of the number of jobs it provides.

USDA distributes farm products for the public good through two basic mechanisms. One is through provision of cash (school lunch and breakfast reimbursements) or near-cash (food stamps) benefits to eligible recipients that are negotiated directly in the marketplace for food products.

The second mechanism is through the donation of food products to the public for use in schools and other eligible outlets of existing Food and Nutrition Service programs. Food products are acquired for donation in three ways:

- USDA buys food on the open market with funds it receives by direct appropriation from Congress. USDA gives these foods to schools that participate in the National School Lunch Program and other child nutrition programs, sites that participate in nutrition services for the elderly, Indians on reservations, and participants in the Commodity Supplemental Food Program.
- USDA buys fruits, vegetables, meat and poultry items under surplus-removal programs, as authorized by Section 32 of Public Law 74-320, as amended. Section 32 allows USDA to encourage domestic consumption of commodities by removing them from the normal channels of trade. USDA buys the food to strengthen farm income and then donates it to nutrition programs, most of which are school food programs.
- USDA obtains other foods, such as grains, dairy products, vegetable oil and peanut products, through price support activities that help farmers achieve a fair return for their products. Foods acquired under this legislation may be donated to any domestic outlets under Section 416 of the Agricultural Act of 1949, as amended, which include schools and charitable institutions. Our recent cheese and

butter distributions are good examples of this particular type of food donation.

The total value of these commodities was \$1.4 billion in Fiscal Year 1982. Of these, the value of purchases was \$610 million; the value of "bonus donations" of commodities obtained under price support programs was \$854 million. These totals are increasing during Fiscal Year 1983. We expect to distribute to needy families approximately \$75 million worth of food under Title I of the recently enacted Jobs Bill as well as approximately 300 million pounds of dairy and grain products under Title II of the Jobs Bill.

USDA participates in alleviating world hunger through Public Law 480, the Agricultural Trade Development and Assistance Act of 1954. The P.L. 480 food program consists of two parts: Title I/III concessional sales and Title II donations. Approximately 5.5 million metric tons, grain equivalent, are programmed under P.L. 480 each year. The P.L. 480 authorizing legislation requires a minimum annual Title II commitment of 1.7 million metric tons.

The voluntary relief agencies that distribute the majority of the Title II food commodities are CARE, Inc., Catholic Relief Service, Lutheran World Relief, Church World Service, Seventh Day Adventists, and the American Jewish Joint Distribution Committee. Food also is donated to the World Food Program to fulfill the U.S. Government's pledge obligations to foreign countries. In addition, small amounts of food commodities are donated to other foreign governments for use abroad in meeting famine or other urgent or extraordinary relief requirements, economic development and school lunch programs in friendly developing areas.

USDA's Agricultural Stabilization and Conservation Service is in charge of P.L. 480 operations. At the present time, ASCS purchases 21 different commodities for the Title II programs. These commodities are wheat, sorghum, corn, flour, soy-fortified flour, bulgur, soy-fortified bulgur, corn meal, soy-fortified corn meal, wheat-soy blend, soya flour, soy-fortified sorghum grits, soy-fortified rolled oats, corn-soya milk (CSM), instant CSM, salad oil, nonfat dry milk, milled rice, peas, corn-soya blend (CSB), and wheat protein concentrate (WPC).

In recent months, the safety and wholesomeness of this nation's

meat and poultry supply have come under fire in the press and by certain consumer organizations.

One group claims that USDA's inspection program is inadequate; other critics allege that meat and poultry products contain toxic chemical residues and pose other unnecessary health risks.

Contrary to these charges, however, the American public is better protected today than perhaps it ever has been. Consider this: the Food Safety and Inspection Service, the USDA agency responsible for inspecting meat and poultry, is by far the largest health inspection force in the federal government—both in absolute numbers and in the ratio of inspectors to regulated facilities. Close to \$1 million is spent every day in the inspection of livestock, poultry and processed products. Furthermore, since 1981, while many government programs have been reduced, both the executive and the legislative branches have seen to it that the meat and poultry inspection program remains intact.

In the face of an increasingly technological and productive industry, USDA is constantly seeking ways to efficiently improve procedures for inspecting slaughter and processing operations. A look at the record shows that the overall enforcement effort of the inspection program is nearly identical to that of the past.

As to the longstanding problem of drug and chemical residues, USDA has had great success in its prevention and control. USDA does not test every bird and animal carcass for every possible compound that may be in the food supply; that would be impractical and extremely costly. What we do instead is monitor those compounds posing the greatest threat by analyzing randomly-selected tissue samples in all species and test tissues from specified suspect animals before permitting their release into commerce. In addition, USDA conducts the residue avoidance program—a cooperative effort between government and industry that teaches farmers to eliminate potential problems at their source.

Of course, the only true measure of consumer confidence comes from consumers themselves, and this is confirmed each year by a consistently high per capita consumption of meat and poultry. Also, a recent nationwide survey by the Good Housekeeping Institute indicates the public has retained its trust—recent faultfinding notwithstanding. One of the Good Housekeeping survey questions asked participants to

rate the success of USDA and the Department of Health and Human Services' Food and Drug Administration in carrying out our food protection responsibilities. Regarding the degree to which we ensure the safety of food, we were found to be "good" or "very good" by 76 percent.

We at USDA have every intention of ensuring that this confidence endures. Maintaining effective communications with the public we serve is one important way this is accomplished. Last year, the Food Safety and Inspection Service distributed nearly one million free publications to help consumers prevent food poisoning and combat other food-borne health hazards. The agency also initiated the meat and poultry hotline, providing fast and easy telephone and mail access for answers to concerns about the safety, wholesomeness and proper labeling of meat and poultry products. And, for the third year, students from every elementary school in the country had the opportunity to learn safe food handling practices through USDA's food safety poster contest. This year's contest reached upwards of a half million school children and attracted nearly 70,000 entries.

Since the beginning of its human nutrition program in the 1890's, USDA has conducted research and developed knowledge and techniques for improving professional and public understanding of nutrition. Primary research areas are the nutritional needs of people, the nutritive value of foods, the nutritional adequacy of diets and food supplies, and the selection and handling of foods.

Several USDA agencies share responsibility for conducting nutrition research and interpreting it for consumers. The Agricultural Research Service, in its five regional laboratories, studies human nutritional requirements at various stages of the life cycle. The Human Nutrition Information Service develops standard reference tables on the nutrient composition of foods, conducts periodic national surveys to monitor the nutritional levels of U.S. diets, and develops and communicates information on a variety of food and nutrition consumer issues. The Extension Service, with its network of state specialists and agents in essentially every county in the country, translates USDA-developed nutrition information for consumers at all economic levels.

USDA's emphasis at the federal level is to provide nutrition information to professionals, such as extension agents and other

community leaders who, in turn, interpret the information for helping solve consumer problems. Toward this end, research results are published in reports, USDA periodicals and professional journals. In 1982, the Human Nutrition Information Service alone published over 80 such items.

New technical information was published on the nutritional content of about 160 breakfast cereals, 300 fruits and fruit juices, and the content of 275 food items. More consumer-oriented publications present the nutritive value of about 800 commonly used foods, the sodium content of foods, and a pocket calorie guide.

Reports from the Nationwide Food Consumption Survey showed the food and nutrient intakes of men, women and children of different ages. The changes in average food consumption patterns of individuals required to meet specified dietary standards, such as the Recommended Dietary Allowances, were determined. Newly revised family food plans at different costs illustrate how families can get nutritious diets they can afford.

An annotated bibliography of nutrition education materials was published to help state and local staffs in the Special Supplemental Program for Women, Infants and Children select, acquire and develop materials for program participants.

USDA agencies cooperate with other public and private organizations in the preparation of research-based information for consumers. An example is the Human Nutrition Information Service's cooperation with the American National Red Cross in developing a nutrition course for the general public. This course, now being field-tested in 60 Red Cross chapters nationwide, is designed to help participants build the knowledge and skills for making food choices. In six two-hour sessions, the course covers topics such as nutrition through the lifecycle, food composition, energy balance, fitness and dietary adequacy.

The American Red Cross initiated this project in response to specific requests from local communities and an assessment of need for a nutrition course for the public. The Red Cross is providing the funding as well as staff support and publication costs. The Human Nutrition Information Service is providing scientific expertise and technical assistance in the development and testing of the program. USDA's

Extension Service is working with HNIS to assist the Red Cross program coordination and delivery.

Teleconferences and workshops are other ways USDA communicates nutrition information to professionals—and through them to consumers. A recent nationwide video-teleconference for nutrition and health professionals in all 50 states presented the newest nutrition findings as they relate to maternal and infant health. The teleconference was sponsored jointly by the Departments of Agriculture and Health and Human Services.

USDA is conducting a series of seven regional workshops for nutrition education and health leaders. This program, "Making Your Food Dollars Count," focuses on nutrition and food selection problems of the economically disadvantaged. The workshops are coordinated through the Food and Nutrition Service's regional offices. In the workshops in Atlanta and Dallas, USDA agencies presented research-based sample meal plans to show how a four-person family can have nutritious and appetizing meals for \$58 a week—the full food stamp allotment level. Workshop participants will use these and local materials and resources to help consumers, especially those with low incomes, to make their food dollars count for good nutrition.

USDA sometimes is faulted for failing to tell consumers what to eat to be healthy. The truth, is we do not know how. Although nutrition research has answered many questions during the 20th century and the Department is dedicated to finding more answers, much is not yet known. In the interim, the nutrition advice to consumers from the Departments of Agriculture and Health and Human Services was presented in "Nutrition and Your Health...Dietary Guidelines for Americans." Briefly, these guidelines suggest that we select moderate amounts of a variety of food daily from our abundant food supply and maintain body weight through exercise and controlling calories.

As stipulated by the Senate Appropriations Committee, a dietary guidelines advisory committee has been established to review comments received on the Dietary Guidelines pamphlet since its release in 1980 to make any recommendations it deems appropriate. The committee has nine members—three representatives each from the Departments of Agriculture and Health and Human Services and three selected from a list of nominees recommended by the National

Academy of Sciences. The organizational meeting of the Committee is planned for this summer.

This concludes my remarks. I appreciate the opportunity to appear before this Committee and will be pleased to answer any questions you may have at this time.

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Testimony by C. W. McMillan, assistant secretary, United States Department of Agriculture before the Committee on Labor and Human Resources, United States Senate, June 10.

Revisions in Food Safety laws

Good morning, I am C. W. McMillan, assistant secretary for marketing and inspection services, U.S. Department of Agriculture. Accompanying me today are: Dr. Edward N. Brandt, Jr., assistant secretary for health, U.S. Department of Health and Human Services; Dr. Arthur Hull Hayes, Jr., commissioner of food and drugs, HHS; and Dr. Donald L. Houston, administrator, Food Safety and Inspection Service, USDA. Together we represent the federal agencies charged with the responsibility of maintaining a safe food supply for the people of this nation.

I am pleased to testify on behalf of my colleagues on the important issue of revision of our food safety laws, but before I do that, I would like to ask Commissioner Hayes to outline for you the dilemmas we in the regulatory agencies face in dealing with this most complex and vexing issue.

Background

Interest in revising the current food safety laws administered by the FDA and the USDA has been ongoing for some time. Events of the last few years have heightened the desire on the part of the public, the scientific community, government and industry to make changes in these laws. The nitrite situation made it clear that the law should be sufficiently flexible to deal with substances that may be questionable, but which may nevertheless provide important health benefits to consumers. Many commenters, both inside and outside the

government, now believe that we are finding ourselves increasingly constrained by food safety laws which have become scientifically outdated. There are serious questions that cannot be addressed within the framework of the current food laws—questions about the level of risk that is acceptable, the way that risk should be assessed and managed and the possible trade-offs between risks and benefits. Technology now enables us to detect infinitesimal levels of carcinogenic substances in food, thus compelling a more sensible way of reacting to these findings by government and other interested parties.

We must keep in mind that any reevaluation of the existing food safety laws must begin with the recognition that we in the United States enjoy the most abundant and safe supply of food that the world has ever known. Our food cannot be rivaled for its safety, wholesomeness, variety and availability; one major reason for this has been the basic soundness of the provisions of our food safety laws, which are administered by FDA and USDA. However, inasmuch as the last major changes in our food safety laws occurred in the 1950's and 1960's, with the passage of the Food Additives Amendment of 1958, the Color Additive Amendments of 1960, the Drug Amendments of 1962—relating to animal drug residues in food for human consumption—and the Wholesome Meat Act of 1967, we believe that it is appropriate to examine whether modernization of the food safety laws is in order.

We have sought from the outset to develop our thinking on food safety issues in an open and constructive environment. We have released materials outlining our latest thoughts on the subject on two different occasions so that the public could help us identify problems and find reasonable solutions to them. We have received comments from industry, consumers, scientists, members of Congress and their staffs, and other interested groups and individuals. We have analyzed these comments thoroughly and have had followup meetings with many of the commenters.

Latest Thinking

The most significant food safety issues include:

- Whether to add a definition of the term "safe" to the Federal Food, Drug and Cosmetic Act;

- Whether to change the FDC act's Delaney clause from an essentially "zero risk" concept;
- Whether to provide for the utilization of risk-benefit assessments in determining whether to prohibit the use of food ingredients;
- Whether to use independent scientific review processes in making food safety decisions; and
- Whether to authorize gradual phase-outs rather than immediate prohibition of substances that do not meet the safety standard.

A brief summary of our latest thinking on each of these issues follows.

Definition of "Safe"

"Safe" is defined in the legislative history of the Food Additives Amendment of 1958 as a "reasonable certainty of no harm under intended conditions of use." Many believe that the FDA has focused unduly on the reference to "no harm" in its interpretation of "safe" and that there has been an increasing tendency to insist on an absolute zero risk standard of safety for all food substances.

Much of this concern may be attributed to the Delaney clause. There is also concern that, even if there were no Delaney clause, FDA nevertheless would apply a no-risk standard and insist on absolute safety.

It is appropriate to consider including in the FDC act a definition of "safe" clearly stating that a zero risk standard is not to be applied. Adding such a statutory definition could clarify the principles under which FDA operates and could minimize arbitrary drift from the announced safety standard.

Delaney Clause

Current law contains three separate anticancer clauses that are collectively referred to as the Delaney clause. Two of these provisions prohibit the FDA from approving food additives and color additives that induce cancer in humans or animals. The third requires elimination of carcinogenic drugs from the edible tissues of meat animals and poultry prior to slaughter.

The principal argument against the Delaney clause is its inflexibility, as the clause has traditionally been interpreted. It does not permit

factors such as the extent of human exposure to a substance, or the appropriateness of extrapolation of the test data from animals to humans, to be considered in the safety assessment of a carcinogenic food additive, color additive, or new animal drug. It makes no allowance for the possibility of threshold doses for some carcinogens.

In essence, the Delaney clause short-circuits indepth, scientifically-sound consideration of the safety of a carcinogenic food additive, color additive or new animal drug. In recent years the Delaney clause has created increasing problems because scientific and technical advances have uncovered in the human diet more and more substances in miniscule amounts that have been determined to be animal carcinogens. Although some administrative interpretations may make it possible to deal with some of these problems in the near term, clear legislative guidance is obviously preferable to the uncertainties of testing such interpretations in court.

Serious thought should be given to modifying the Delaney clause so as to allow FDA to use risk assessment to reach sensible results consistent with the public health. Such a statutory scheme would permit FDA to use the best science available to ascertain what the real risks presented by a substance are—risk assessment—and then determine how best to manage that risk. Such a statutory scheme implies a recognition that certain foods do present risks, but that there is no need for restricting or banning such a food where the magnitude of the risk can be quantified and is considered insignificant.

Risk-Benefit Assessment

Except for pesticides and—to a limited extent—environmental contaminants, the FDC act does not provide for a balancing of benefits against risks for individual substances in food.

In issuing a food additive regulation or revoking a regulation for an additive which has a substantial history of use and for which there is no reasonably practicable substitute, the secretary of HHS would be capable of making better decisions if she had authority to consider whether the risks to human health are acceptable on account of the benefits offered by the use of such an additive.

Scientific Review

Regulatory food safety decisions are frequently made under conditions of some degree of uncertainty. In the absence of institutionalized oversight, this situation often gives rise to doubts about the soundness, objectivity and consistency of scientific decisions. Some people outside the government believe that scientific decisions, especially on suspect carcinogens, are made without an adequate review of the underlying scientific or test data. To correct this perception, it would be useful for HHS and USDA to establish independent food safety committees to conduct reviews of significant scientific findings pertaining to food safety issues.

Phase-Out Authority

FDA's and USDA's laws contain no provisions for gradually implementing bans of food substances; this precludes any consideration of the consequences of abruptly removing a substance from the food supply and prohibits opportunities to provide for the safe and orderly removal of a product from the market.

FDA and USDA should have authority to gradually phase-out a substance. In determining whether to permit a phase-out, the secretaries of HHS and USDA should be required to consider the history of use of the substance, availability of reasonably practicable substitutes, the risks associated with continued use of the substance, effects of such use on the nutritional value or availability of food, and whether an immediate ban would significantly disrupt the food supply or cause significant economic hardship.

This brief overview represents the latest collective thinking of those of us at this table with respect to some of the more important issues that should be addressed in any consideration of changes in our food safety statutes. It is important to note these views have neither been accepted nor rejected as official administration policy to date; therefore, they should not be viewed as the ultimate and definitive statement of the administration's position on modifications of the food safety laws. Rather, they should be looked upon as the latest development in a continuing search for needed improvements in our food safety statutes.

Conclusions

Let me end by making one final point. The administration is prepared to work with the Congress, the scientific community, consumers and industry in formulating reasoned solutions to food safety issues. We recognize that finding such answers is not an easy task, and that there may be considerable and sometimes fractious debate over the appropriate course of action. But there will be no better time to undertake this labor than now. Our hope is that all interested parties will approach this responsibility in a spirit of cooperation and commit themselves to the pursuit of scientifically sound regulatory decisionmaking, recognizing, of course, the limits of even the most advanced scientific techniques. Surely there is no more fundamental concern to the people of this country than the safety of their food supply, thus the public health and well-being must remain the central focus of our endeavors. I, personally, look forward, as do all my colleagues here at the table, to a continuation of our joint efforts to reach the commendable goal of modernizing our food safety laws so they reflect the most advanced scientific methods and concepts.

Mr. Chairman, this concludes my formal statement. We will be pleased to try to answer any questions that you and other members of the committee may have.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA PROPOSES REVISING GRADE STANDARDS FOR AMERICAN BUNCH GRAPES

WASHINGTON, May 31—The U.S. Department of Agriculture today proposed revision of the U.S. grade standards for American (eastern type) bunch grapes to make the standards more useful to the grape industry.

Charles Brader, a marketing official with USDA's Agricultural Marketing Service, said USDA developed the proposal at the request of the grape industry. Comments should be submitted to USDA by Aug. 1.

The proposal adjusts the tolerance limitations for grapes packed in small containers and makes minor changes in bunch requirements for U.S. No. 1 table grapes. The proposal also allows for more flexibility in the minimum size requirement for U.S. Fancy and U.S. No. 1 table grapes regardless of the variety. Brader said these changes would not affect the overall quality requirements.

Details on the proposed changes will be published in the June 2 Federal Register, available at many public libraries. Written comments should be sent in duplicate to the Hearing Clerk, rm. 1077-S, USDA, Washington, D.C. 20250.

The Agricultural Marketing Service establishes grade standards and provides official grading for many food products. Use of the grading service is voluntary and paid for by the user.

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USDA ADDS RICE TO DAIRY PRODUCTS AND HONEY FOR SCHOOLS, OTHER OUTLETS

WASHINGTON, May 31—Next school year, the U.S. Department of Agriculture will offer rice as well as dairy products and honey to schools and charitable institutions.

Mary C. Jarratt, assistant secretary for food and consumer services, said these foods will be provided in addition to the commodities these outlets now receive from USDA. Schools, for instance, already receive approximately 11.5 cents worth of other commodities for each lunch they serve.

Rice, honey and dairy products currently in storage will be available as bonus donations to schools for the duration of the school year (July 1983-June 1984), and to charitable institutions during fiscal 1983 (October 1983-September 1984). Schools and non-profit institutions may order as much of these commodities as they can use without waste, she said.

During the past year, USDA donated 862 million pounds of bonus dairy products—valued at \$1.2 billion—to these domestic outlets. Of the 862 million pounds, schools received 264 million, charitable institutions and households 517 million, summer camps, 2 million, and various other outlets 19 million.

The current supply of these food items in USDA inventories "far exceeds quantities needed to meet foreign and domestic commitments for their use," Jarratt said. "It is much better to increase their use in school cafeterias and charitable outlets than to continue to store them."

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VACCINATE NOW TO PREVENT HORSE SLEEPING SICKNESS

WASHINGTON, June 1—Horse owners should have their animals vaccinated for equine encephalitis, a U.S. Department of Agriculture veterinarian said today. The disease, also known as sleeping sickness, often becomes a serious problem when mosquito populations increase during warm months.

Since vaccines are effective for only one year, Dr. Chester Gipson, staff veterinarian of USDA's Animal and Plant Health Inspection Service, advises annual revaccination—preferably in the spring.

Gipson said that combination vaccines are available for the three types of the disease, eastern, western and Venezuelan equine encephalitis. Eastern and western types of the disease occur each

summer in many parts of the United States. The Venezuelan strain has not appeared in our country since 1971, but vaccination against it is recommended along the Mexican border and the Gulf Coast.

"All three types of sleeping sickness affect humans as well as horses," Gipson said. "Birds usually function as the disease reservoir and may carry the eastern or western type of virus. Mosquitoes may transmit these diseases from birds to horses or humans. With the Venezuelan virus, the disease multiplies so rapidly in horses that mosquitoes biting infected horses at certain disease stages can pass the virus directly to nonvaccinated horses or to humans."

"Research has shown that the Venezuelan virus has many hosts," Gipson said. "However, it isn't known which of these hosts may harbor the virus or when the virus may reemerge."

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RILEY NAMED USDA DIRECTOR OF PERSONNEL

WASHINGTON, June 1—William J. Riley has been named director of the U.S. Department of Agriculture Office of Personnel, John J. Franke, USDA assistant secretary for administration, announced today.

Riley, a veteran personnel specialist, has been acting director of personnel on an interim appointment since July, 1982. His new appointment was effective May 31.

Riley was with the United States Information Agency from January, 1965 to February, 1969, when he joined USDA as a personnel security specialist. Since November, 1972 he has been a supervisory personnel management specialist or a supervisory employee relations specialist until his interim appointment as director of personnel last July. Riley has received two cash awards for outstanding job performance, a \$300 award in 1972 and a \$500 award in 1979.

A native of Providence, R. I., Riley is a 1957 graduate of the Catholic University of America School of Law.

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USDA AND CHINESE VETERINARIANS AGREE ON TERMS FOR U.S. ANIMAL EXPORTS TO CHINA

WASHINGTON, June 1—The U. S. Department of Agriculture and the Peoples' Republic of China today signed an agreement setting the health requirements for U.S. exports of cattle, swine and poultry to China, according to Bert Hawkins, administrator of USDA's Animal and Plant Health Inspection Service.

Signing for USDA were Hawkins and Joan Wallace, administrator of the Office of International Cooperation and Development.

Hawkins said the agreement outlines the conditions for exporting breeding stock from the United States to China. U.S. and Chinese representatives also discussed possible imports of swine semen for use by American swine breeders, he said.

A delegation of Chinese veterinarians sponsored by OICD spent most of May in the United States visiting USDA animal health facilities. It was during this tour the Chinese met with USDA officials to negotiate today's agreement.

#

CCC LOAN INTEREST RATE LOWERED TO 8-3/4 PERCENT

WASHINGTON, June 1—Commodity and farm storage loans disbursed in June by the U.S. Department of Agriculture's Commodity Credit Corporation will carry a 8-3/4 percent interest rate, according to CCC Executive Vice President Everett Rank.

The new rate, down from 9-1/8 percent, reflects the interest rate charged CCC by the U.S. Treasury in June, Rank said.

#

**FARMERS TO RECEIVE 40.3 MILLION
HUNDREDWEIGHT OF RICE UNDER PIK**

WASHINGTON, June 1—The U.S. Department of Agriculture today reported producers will receive almost 40.3 million hundredweight of rice for participating in the 1983 payment-in-kind (PIK) program, according to Everett Rank, executive vice president of USDA's Commodity Credit Corporation.

Of the total PIK payment to producers, almost 14.2 million hundredweight will be made available directly to producers from CCC's inventory and nearly 7.9 million hundredweight will be received by producers from their 1982 price support loans, Rank said.

He said about 18.2 million hundredweight will be received by farmer-owned rice cooperatives on behalf of their members, nearly 13.7 million hundredweight of which will come from 1982 price support loans and the balance from CCC inventory.

The following table summarizes rice entitlements under the PIK program.

State	Quantity	Loan Quantity	Quantity	Quantity
Arkansas	13,599,740	2,874,260	7,432,909	3,292,571
California	9,239,615	670,379	6,361,162	2,208,074
Florida	123,627	24,522	---	99,105
Louisiana	6,117,881	1,737,423	813,532	3,566,927
Mississippi	3,663,365	1,266,692	234,516	2,162,157
Missouri	608,800	248,207	159,450	201,143
Oklahoma	5,290	---	---	5,290
Tennessee	3,448	---	3,448	---
Texas	6,928,523	1,045,004	3,223,396	2,660,122
TOTAL ¹	40,290,288	7,866,486	18,228,414 ²	14,195,388

¹Totals may not add due to rounding.

²4,503,438 hundredweight will come from CCC inventory.

USDA ADOPTS REQUIREMENTS FOR PRODUCING COOKED ROAST, CORNED BEEF

WASHINGTON, June 2—The U.S. Department of Agriculture has finalized processing requirements for cooked corned beef and roast beef in federally-inspected plants to reduce the potential for salmonella contamination.

The final regulation modifies slightly an interim rule implemented by USDA last July.

"In response to comments received, USDA will allow a variety of processing procedures to be used which assure safe and wholesome products," said Donald L. Houston, administrator of USDA's Food Safety and Inspection Service.

In 1977, USDA issued an emergency rule that required roast beef to be cooked to an internal temperature of 145 degrees Fahrenheit to destroy salmonella. Studies later showed that salmonella could also be killed by cooking longer at lower temperatures, Houston said, so USDA revised its regulations to provide various combinations of cooking times and temperatures for roast beef.

"Last year's interim rule was implemented following several outbreaks of salmonellosis. It tightened sanitation requirements and humidity controls for preparing cooked corned beef and roast beef," Houston said. "We also required these items to be marked with the date of production, and additional handling and storing requirements were established."

The final rule will become effective July 1.

Under the Federal Meat Inspection Act, only wholesome, unadulterated and truthfully labeled meat products may be sold in commerce.

#

USDA RELEASES COST OF FOOD AT HOME FOR APRIL

WASHINGTON, June 3—The U.S. Department of Agriculture today released its monthly update of the weekly cost of food at home for April 1983.

USDA's Human Nutrition Information Service computes the cost of food at home for four food plans—thrifty, low-cost, moderate-cost and liberal.

Isabel Wolf, administrator of the Human Nutrition Information Service, said the plans consist of foods that provide well-balanced meals and snacks for a week.

USDA assumes all food is bought at the store and prepared at home. Costs do not include alcoholic beverages, pet food, soap, cigarettes, paper goods and other nonfood items bought at the store.

"USDA costs are only guides to spending," Wolf said. "Families may spend more or less, depending on such factors as where they buy their food, how carefully they plan and buy, whether some food is produced at home, what foods the family likes and how much food is prepared at home.

"Most families will find the moderate-cost or low-cost plan suitable," she said. "The thrifty plan, which USDA uses to set the coupon allotment in the food stamp program, is for families with less money for food. Families with unlimited resources might use the liberal plan."

Details of the four food plans are described in Home and Garden Bulletin No. 94, "Family Food Budgeting. . .for Good Meals and Good Nutrition," which may be purchased for \$2.50 each from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Cost of Food at Home for a Week in April 1983

	Plans			
	Thrifty	Low-cost	Moderate-cost	Liberal
Families:				
Family of 2 (20-54 years)	\$34.50	\$44.50	\$56.00	\$67.00
Family of 2 (55 years and over)	31.10	39.90	49.50	59.10
Family of 4 with preschool children	49.10	62.60	78.20	93.60
Family of 4 with elementary school children	59.10	75.80	95.10	113.70
Individuals in four-person families:				
Children:				
1-2 years	8.00	10.10	12.40	14.80
3-5 years	9.70	12.00	14.90	17.90
6-8 years	12.30	15.70	19.60	23.40
9-11 years	15.40	19.60	24.60	29.40
Females:				
12-19 years	14.60	18.60	23.00	27.40
20-54 years	14.10	18.10	22.60	26.90
55 and over	12.90	16.50	20.30	24.10
Males:				
12-14 years	16.40	20.70	26.00	31.00
15-19 years	18.00	22.90	28.70	34.40
20-54 years	17.30	22.40	28.30	34.00
55 and over	15.40	19.80	24.70	29.60

To estimate your family food costs:

- For members eating all meals at home—or carried from home—use the amounts shown.
- For members eating some meals out, deduct 5 percent from the amount shown for each meal not eaten at home. Thus, for a person

eating lunch out five days a week, subtract 25 percent, or one-fourth the cost shown.

— For guests, add 5 percent of the amount shown for the proper age group for each meal.

Costs in the second part of the chart are for individuals in four-person families. If your family has more or less than four, total the "individual" figures and make these adjustments, because larger families tend to buy and use food more economically than smaller ones:

- For a one-person family, add 20 percent.
- For a two-person family, add 10 percent.
- For a three-person family, add 5 percent.
- For a family of five or six persons, subtract 5 percent.
- For a family of seven or more, subtract 10 percent.

#

AMERICAN AIRLINES, INC., CHARGED WITH ANIMAL TRANSPORTATION VIOLATIONS

WASHINGTON, June 6—American Airlines, Inc., headquartered at Dallas-Fort Worth Airport in Texas, has been charged by U.S. Department of Agriculture officials with nine counts of violating transportation standards of the Animal Welfare Act.

USDA is asking that American's officials be fined \$3,000 in civil penalties if the charge is upheld, according to Dr. Richard L. Rissler, a veterinarian directing animal care activities for USDA's Animal and Plant Health Inspection Service.

Rissler said the incident with the gravest consequence involved a cat shipped Dec. 20, 1980, from St. Louis, Mo. The cat was dead on arrival at Boston, Mass., from exposure to freezing temperatures.

The remaining violations involved dog and monkey shipments. On two occasions between February and March of 1981, seven dogs were shipped from Los Angeles, Calif., to Honolulu, Hawaii, in crates that were too small for them. Monkeys were shipped from Tucson, Ariz., to Washington, D.C., Dulles International Airport in inadequately ventilated crates. Moreover, the crates had an insufficient quantity of litter; they lacked rims or other devices to prevent obstruction of

ventilation openings; there was no labeling to indicate "wild animals" or the correct upright position; and there were no feeding or watering instructions, USDA contends.

Moreover, on Nov. 24, 1981, the animal holding area at Dallas-Fort Worth was not sufficiently cleaned and was littered with spilled feed and other materials, Rissler said. He said American's officials have 20 days to respond to the charge and can request a hearing before an administrative law judge. Failure to respond constitutes admission of the charge.

#

PUBLIC LAW 480 AGREEMENT SIGNED WITH TUNISIA

WASHINGTON, June 6—The United States and Tunisia have signed a Public Law 480 Title I agreement which provides for the sale of approximately 75,000 metric tons of wheat.

Melvin E. Sims, general sales manager for the U.S. Department of Agriculture's Foreign Agricultural Service said the dollar credit agreement will provide for the sale of wheat valued at \$10 million.

The supply period is fiscal 1983 and the sales will be made by private U.S. traders on a nondiscriminatory basis. Purchase authorizations will be announced as issued.

Tunisia agreed to carry out a number of agricultural self-help measures including expansion of the supply and improvement of the scheduling of nitrogenous fertilizer imports.

Other self-help measures include the following: improving the distribution system for fertilizer, improving handling and storage capacity for cereals, and continuing programs to expand and improve extension and soil testing services to small and medium-sized farmers.

#

ADDITIONAL VIRUS STRAINS CONSIDERED FOR MAREK'S DISEASE VACCINE

WASHINGTON, June 7—U.S. Department of Agriculture veterinarians are considering licensing Marek's disease vaccines derived from virus sources other than turkey herpes virus.

Reason: Some strains of the disease are showing resistance to currently licensed vaccines, a USDA official said today.

"To date, USDA has granted licenses only for Marek's disease vaccines derived from turkey herpes virus, which had provided immunity," said David A. Espeseth, a veterinarian with USDA's Animal and Plant Health Inspection Service. "However, we have revised requirements to facilitate research and development of alternate vaccines."

Espeseth said USDA veterinarians have revised the agency's biologics notice that governs the manufacture and licensing of Marek's disease vaccines. This permits development of vaccines containing SB-1 or other avirulent virus strains that meet the requirements of the Virus-Serum-Toxin-Act, USDA regulations and the needs of the poultry industry.

Information about the production of new Marek's disease vaccines is available from the Veterinary Biologics Staff, APHIS-USDA, Room 832 Federal Building, 6505 Belcrest Rd., Hyattsville, Md. 20782.

Veterinary biologics such as vaccines, bacterins, toxoids, antitoxins and diagnostics must be licensed by USDA if they are distributed in interstate commerce. Licensing standards require products to be proven pure, safe, potent and effective.

Producing establishments also are licensed and are inspected by USDA to assure compliance with the law and federal regulations.

#

INDIVIDUALIZED CROP INSURANCE EXPANDED AT USDA

WASHINGTON, June 8—The U.S. Department of Agriculture's Federal Crop insurance Corporation has added more

crops to a special insurance plan that individualizes crop insurance policies based on farm performance.

Crops added to the plan are flax, dry beans, rye and sunflowers. Crops already included are corn, wheat, cotton, rice, grain sorghum, barley and soybeans.

Called the "individual yield coverage plan," this concept of crop insurance protection allows many farmers with verifiable records of production yields to obtain higher coverage without paying higher premiums, said Merritt W. Sprague, manager of the crop insurance agency.

Sprague said the plan favors the more successful farmer and helps customize crop insurance policies to the needs and performance of the individual producer.

Farmers who wish to take advantage of this plan, he said, should contact their local authorized federal crop insurance agent or their county office of USDA's Agricultural Stabilization and Conservation Service.

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POPCORN ADDED TO EXPERIMENTAL INSURANCE PROGRAMS

WASHINGTON, June 8—Popcorn has been added to the list of experimental crop insurance programs at the U.S. Department of Agriculture's Federal Crop Insurance Corporation.

This is the USDA's latest effort toward providing insurance protection on all crops in all areas of the country, said Merritt W. Sprague, manager of the crop insurance agency.

Sprague said the pilot program is for popcorn grown in Illinois, Indiana, Iowa and Nebraska in the 1984 crop year. Eventually, he said, the agency hopes to expand the program into Kansas, Kentucky, Michigan, Missouri and Ohio. These nine states produce 99 percent of all popcorn grown in the United States.

In the 1981 crop year, 247,000 acres of popcorn were grown with an estimated value of \$103 million.

#

USDA SCHEDULES OUTLOOK CONFERENCE FOR OCT. 31 - NOV. 3

WASHINGTON, June 8—The U.S. Department of Agriculture will hold its 60th annual Agricultural Outlook Conference here Oct. 31 - Nov. 3, earlier than previously announced, according to Sally Michael, conference director.

"The earlier dates allow us to avoid conflicts with the Veterans' and Thanksgiving Day holidays," she said.

The theme of this year's conference is "60 Years of Service to American Agriculture."

Michael said further conference details and registration information will be available later in late August.

#

USDA, ISRAEL COMMEMORATE 25 YEARS OF COOPERATIVE AGRICULTURAL RESEARCH

WASHINGTON, June 8—The U.S. Department of Agriculture today presented a plaque to Israel commemorating 25 years of cooperation in agricultural research.

The plaque was presented by Joan S. Wallace, administrator of USDA's Office of International Cooperation and Development to Meir Ben-Meir, director general of Israel's Ministry of Agriculture.

Wallace currently is attending a meeting of the board of directors of the Binational Agricultural Research and Development Fund which will consider some 40 new cooperative research projects for 1984.

The first research project in Israel in which USDA was involved was begun under the special foreign currency fund program on June 22, 1958. More than 200 of these research projects followed until the program with Israel ended in 1976.

Some 200 active research projects currently are underway in Israel and the United States under the Binational Agricultural Research and Development Fund, created in 1977 with an endowment fund of \$80 million. Interest from the fund finances cooperative agricultural research work in both countries.

#

USDA EXERCISES PIK OPTION FOR 1983-CROP WHEAT

WASHINGTON, June 8—Secretary of Agriculture John R. Block today said it will be necessary to require wheat producers who do not have sufficient quantities of wheat pledged as price support loan collateral to meet their payment-in-kind requirements to obtain loans on their 1983-crop production.

Producers who have no 1983-crop wheat planted for harvest or who do not have sufficient wheat planted for harvest to meet their PIK requirements will receive payment-in-kind from other wheat in Commodity Credit Corporation inventory, he said.

Block said all producers who signed a contract to participate in the 1983 PIK program agreed to obtain a loan on their 1983 production for PIK purposes to satisfy program needs if required by CCC. USDA decided to exercise this option after determining there is an insufficient quantity of wheat currently available to CCC to meet PIK needs, he said.

CCC has developed special provisions to permit producers to use their 1983 wheat production for PIK purposes even though they do not have warehouse or on-farm storage available, Block said. The producer must certify to the local county office of USDA's Agricultural Stabilization and Conservation Service that the required quantity was harvested from an eligible farm and has not been sold prior to the certification.

The producer can obtain the loan, redeem the loan collateral and sell it to CCC. The producer then will be eligible to immediately receive the payment-in-kind from CCC inventory. However, these producers will not receive the proceeds of the sale of the wheat to CCC until their PIK availability date, Block said.

Producers with eligible 1983 crop wheat stored in an approved structure on the farm or in a warehouse covered by a uniform grain storage agreement may receive a regular price support loan for the wheat and earn storage payments for up to five months beginning on the PIK availability date.

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USDA TO CO-SPONSOR CHICAGO CONFERENCE ON EXPORT TRADING

WASHINGTON, June 8—The U.S. Department of Agriculture will co-sponsor a conference on export trading companies and related trade legislation in Chicago, Ill., on July 11.

USDA's Agricultural Cooperative Service will join with the National Council of Farmer Cooperatives, Cooperative League of the USA and Banks for Cooperatives to sponsor the one-day conference. The U.S. Department of Commerce's International Trade Administration is also cooperating with the conference.

The conference is aimed at cooperative chief executive officers, general counsels, chief financial officers and vice presidents and managers of cooperative export operations. Executives and professionals of companies or associations that serve cooperatives such as banks and firms providing legal, accounting, and export trading services will also be invited.

Speakers will include USDA and Department of Commerce officials, specialists in international trade involved in establishing export trading companies, antitrust and legal counselors, financial specialists from banks and export lending agencies, and executives of exporting companies, particularly cooperatives.

Registration for the conference is \$100 for the first person from an organization and \$75 for each additional person. Register with Arvin R. Bunker (202) 382-1751 or Tracey Kennedy, (202) 382-1759, or write to International Trade Program, USDA-Agricultural Cooperative Service,

Room 3117 Auditors Building, 201 14th Street, S.W., Washington, D.C. 20250.

#

REGIONAL GRAIN COOPERATIVES INCREASE VOLUME 65 PERCENT IN 5 YEARS

WASHINGTON, June 8—Regional and interregional grain cooperatives increased grain volume by 65 percent during fiscal years 1977-81, from 1.8 billion bushels to 3 billion bushels, according to U.S. Department of Agriculture economists.

More than four-fifths of this increase was in response to the sharp rise in export demand, according to economists Stanley K. Thurston and David E. Cummins, of USDA's Agricultural Cooperatives Service. Major facility improvements and the streamlining of organizational structure helped cooperatives respond to the challenge, they said.

Principal grains handled continued to be corn, nearly 1.4 billion bushels; wheat, 819 million bushels; and soybeans, 602 million bushels. Others were grain sorghum, 166 million bushels; barley, 44 million; sunflower seed, 23 million; oats, 17 million; and rye and flaxseed, 7 million bushels.

In fiscal year 1981, 16 primary regional and 3 interregional grain cooperatives disposed of their grain by processing 6 percent in their own plants, selling 27 percent to domestic outlets, and shipping 67 percent to ports for export. The proportion shipped to port areas has been rising steadily, from 55 percent in 1976 to 62 percent in 1978 and 1979, to 67 percent in 1981.

Export disposition by cooperatives in fiscal year 1981 was slightly more than 2 billion bushels, compared with 1.5 billion 2 years earlier and 1 billion in fiscal year 1977. Inland originations of grain for export by the regionals and interregionals in fiscal year 1981 accounted for an estimated 41 percent of total U.S. grain exports. This compares with an estimated 35 percent in fiscal year 1979 and 30 percent in fiscal year 1977.

Regionals and interregionals shipped 60 percent, or 1.2 billion bushels, of their export originations—2 billion bushels—through their

own export port elevators in fiscal year 1981. This proportion has varied annually from 57 to 63 percent since 1975. Shipments to noncooperative port elevators were 819 million bushels in fiscal year 1981.

Additional information is available in "Regional Grain Cooperatives, 1980 and 1981," Research Report 27, available free from ACS Information Division, USDA, Rm. 3405 Auditor's Building, Washington, D.C. 20250. Phone: (202) 447-8353.

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USDA REVISES GRADE STANDARDS FOR FROZEN BEANS

WASHINGTON, June 9—The U.S. Department of Agriculture has revised U.S. grade standards for frozen green beans and frozen wax beans to promote efficient marketing of the products.

Charles Brader, a marketing official with USDA's Agricultural Marketing Service, said the changes deal with technical points and do not affect the quality requirements of the frozen bean standards. The revised standards will become effective July 10.

The revision separates "character" attributes such as tenderness, maturity and firmness, from classified defects such as blemishes, mechanical damage and presence of stems. Separate definitions of green and wax bean character classifications are provided.

An objective step-by-step procedure for continuous reporting of on-line product quality is provided so that product acceptance can be determined at any stage of production, Brader said.

To simplify grade nomenclature, the revised standards eliminate the optional use of "U.S. Fancy" for Grade A, "U.S. Extra Standard" for Grade B and "U.S. Standard" for Grade C.

The revised standards will be published in the June 10 Federal Register, available at many public libraries.

USDA's Agricultural Marketing Service establishes grade standards and provides official grading for many food products. Use of the grading service is voluntary and paid for by the user.

#

USDA REVISES GRADE STANDARDS FOR TOMATOES FOR PROCESSING

WASHINGTON, June 9—The U.S. Department of Agriculture has revised U.S. grade standards for tomatoes for processing to make the standards more reflective of technological advances in the industry.

Charles Brader, a marketing official with USDA's Agricultural Marketing Service, said the changes were developed in consultation with industry representatives and key federal and state inspection personnel.

The revised standards, which will become effective July 10, establish basic color evaluation procedures with the flexibility to adjust to advances in electronic colorimeter technology and meet other changing needs of the industry. Those who use the standards will have the option of using alternative colorimeters in addition to the one currently specified.

Brader said all comments received on the April 11 proposal to revise the standards favored the changes.

The revised standards will be published in the June 10 Federal Register, available at many public libraries.

USDA's Agricultural Marketing Service establishes grade standards and provides official grading for many food products. Use of the standards and grading service is voluntary and paid for by the user.

#

POTENTIAL CANCER INHIBITOR FOUND IN INSECT GROWTH REGULATOR

WASHINGTON, June 9—A chemical for insect control has been found to stop the growth of malignant skin cancer cells of mice, say two U.S. Department of Agriculture researchers.

The chemical, diflubenzuron, was shown in a three-year experiment to be a "potent" inhibitor of melanotic melanoma cell cultures, microbiologist James O. Norman and entomologist Shirlee M. Meola of USDA's Agricultural Research Service said today.

Diflubenzuron is widely used to control such agricultural insects as the boll weevil.

Neither a pesticide nor a poison, early research showed the chemical to be a "growth regulator" that prevented the insect from making chitin, a substance found in the cuticle or body covering of insects. The cuticle is secreted by cells in the epidermis of insects.

Previous research by Meola had shown that in addition to preventing the formation of chitin by the epidermal cells, diflubenzuron also prevented development of the adult epidermis in stable flies during metamorphosis.

At this time, Norman also noted a report that diflubenzuron inhibited tyrosinase, an enzyme required for formation of melanin, a pigment produced in melanoma cells.

On the basis of these two discoveries, Norman and Meola deduced that diflubenzuron might have a damaging effect on melanotic melanomas. They began a joint venture to test their theory on mouse melanoma cells.

They proved by microscopic examination of cell contents that diflubenzuron prevents the formation of melanosomes, the structures within melanoma cells that produce the pigment melanin.

In the next phase of their research, the scientists showed that melanoma cells, treated with three to five successive low dosages of diflubenzuron before being injected into mice, lost their ability to develop tumors in mice.

There are two types of melanomas. One is the melanotic type that produces large amounts of melanin; that is the type reported on here. The other type is amelanotic, which produces low amounts of melanin. This distinction is important.

During this research, more than 500 melanotic melanoma cancer cell cultures were inoculated with different levels of diflubenzuron and nearly 400 mice were injected with the diflubenzuron-treated cells and monitored for tumor development.

According to Norman and Meola, their findings suggest that no tumor growth occurred because successive doses of diflubenzuron may have sufficiently altered the DNA of the melanoma cells, causing them to arrive at terminal differentiation.

At this stage, cells lose their ability to replicate (multiply) and, consequently, lose their ability to form tumors.

Meola said this cell response to diflubenzuron is significant because neoplasms, or cancerous cells, lack the ability to reach terminal differentiation, and thus keep on proliferating.

Norman said the specific anti-cancer activity exhibited by diflubenzuron, along with its very low mammalian toxicity, make it a good candidate for testing as a chemotherapeutic agent in treating human melanomas.

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Backgrounder

U.S. Department of Agriculture • Office of Governmental and Public Affairs

NATIONAL FOREST WILDERNESS

For more than a decade, the U.S. Department of Agriculture, through its Forest Service, has tried to establish a comprehensive nationwide approach for proposing wilderness areas to Congress and freeing other roadless tracts for nonwilderness uses, including timber harvesting and energy source development. It conducted two national Roadless Area Reviews and Evaluations (RARE I and II) and in 1979 recommended 15.1 million acres of wilderness to Congress. We agreed to study another 10 million acres on which information was incomplete and to proceed with planned nonwilderness activities on 36 million acres. The decision was contested by the state of California on several nonwilderness areas in the state. Two Federal courts agreed, on the basis that the national environmental statement was inadequate. Although the court decision applied only to 46 areas in California, this holding would be controlling precedent within the jurisdiction of the 9th circuit and would be relied on heavily in litigation elsewhere. This means all land use decisions relying on RARE II were susceptible to lawsuits.

The only certain solutions appear to be (1) enactment by Congress of legislation declaring the national RARE II environmental statement sufficient and that areas categorized as nonwilderness be released for nonwilderness use or (2) all roadless areas, including both wilderness-recommended and nonwilderness be subject to evaluation in the development of forest plans now under way.

The Administration will continue to work for a legislative resolution, preferably on a national basis, but alternatively through state-by-state wilderness bills, which contain sufficiency and release language. Meanwhile, all RARE II nonwilderness and recommended wilderness will be subject to evaluation through our forest planning process, which is to be completed in 1985. Re-evaluation will not be necessary in the states of Colorado, New Mexico, Alaska, Missouri,

West Virginia and Indiana, since they are already covered by specific legislation.

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U.S. AGRICULTURAL TRADE ISSUES WITH JAPAN

Japan is U.S. agriculture's largest single country market, importing \$5.5 billion worth of U.S. farm products in 1982. Japan has been a market primarily for raw commodities—grains, soybeans, cotton—and we expect that these will continue to be the big-ticket items in our trade. However, we want to broaden our trade with Japan to include more exports of high value products, which face a wide range of import barriers in Japan. Perhaps the biggest obstacle is the Japanese system of import quotas, which is applied to 19 agricultural product categories.

We are pressing Japan to ease or remove its import restrictions, particularly on beef and citrus. The trade in beef, oranges and citrus juice is important to us. Export of these products to Japan in 1982 totaled \$376 million. We believe the Japanese market holds even greater potential for oranges and high quality grain-fed beef.

Imports of these products remain subject to quotas under the terms of a bilateral agreement negotiated during the Multilateral Trade Negotiations. This agreement will expire March 31, 1984. Last October, we began talks with the Government of Japan about the future of our beef and citrus trade. So far, Japanese officials have been unwilling to discuss the removal of barriers to beef and citrus imports. Before next March, we anticipate some hard bargaining. We fully expect, however, that an agreement can be reached without disruption of trade.

We also are pursuing an across-the-board effort on behalf of our other high value products. Some face high tariffs, others quota restrictions. Standards and certification requirements remain a problem for several. Processed foods are subjected to stiff food additive restrictions.

In response to criticism of its protectionist practices, Japan announced trade expansion packages on May 28, 1982, and Jan. 13, 1983, which included numerous duty reductions and some quota actions. Duty reductions for cigarettes, chocolate confections and

cookies with sugar were the deepest. Some of these actions will benefit U.S. agricultural trade. However, in general the tariff cuts are small. Most are simply accelerations to rates which we had negotiated in the MTN. The quota actions were extremely limited and do not suggest a commitment to significantly expand access to the market. We are disappointed that the restrictive quota system has been retained.

On March 26, Japan announced completion of a review of standards and certification systems which may lead to significant improvements in market access for some U.S. food products. The most welcome developments for agriculture were the approval of nine new food additives, the adoption of a new standard on plywood and general promises to improve transparency in drafting regulations, increase use of foreign test data and international standards and simplify import clearance procedures.

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